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# HARVEY WOODS LIMITED



## ANNUAL REPORT 1971





## TO THE SHAREHOLDERS

Your Directors submit herewith the Annual Report of the Consolidated Operations of your Company and its Subsidiary Companies for the year ended December 31, 1971.

*Earnings* The Net Loss for the year of \$192,000 compares with a Net Loss in 1970 of \$549,000 after provision for depreciation of \$208,000 in 1971 and \$193,000 in 1970. In connection with income taxes payable, your attention is drawn to Note No. 4 to the Consolidated Financial Statements.

*Working Capital* Working Capital decreased \$262,000 in the year and at December 31, 1971 stood at \$2,146,000.

*1971 Operations* During 1971, your Company continued emphasizing profitable operations within the knitting industry. As indicated in the Third Quarter Report, the unprofitable portion of the Lingerie Division was phased out and the manufacture of fancy lingerie has been discontinued. This will enable your Company to maintain longer and more economic runs on the styles to which the Woodstock operations are best suited. The consolidation of the balance of the Lingerie operation into the Underwear Division is now complete. The close-out costs involved in this resulted in the loss shown for the year.

During 1971 your Company concluded a new agreement with the Union. The Union membership showed great restraint in recognition of the prevailing conditions in the Company. The agreement runs to August 1973.

*1972 Prospects* A general belt-tightening to meet changing conditions continues in all areas of the Company. This process is painful but is essential as the Company re-aligns itself. The results from preliminary studies and information are promising. Costs of hiring, training and overtime will be substantially reduced in 1972.

Although still early in the year, orders on our books are well ahead of 1971.

*Long Term Debt* The details of the refinancing of the long term debt arranged during the year are shown in Note No. 2 to the Consolidated Financial Statements.

*Subsidiaries* The results of the subsidiary companies' operations were substantially unchanged in 1971. In addition to the two Federal Government research grants in force, a new grant has been received from the Department of Industry, Trade and Commerce which will speed up the development of new products in the germicide area. Export sales in 1972 will increase, particularly in the U.S.A., where volume will be improved significantly following the specification by a large United States retailer of Steri-Septic on certain of its product lines.

*General* As indicated in your Company's last Annual Report, the Government recognized that the Textile Industry is viable and that secondary manufacturing has a very important role in Canada's future. It should be emphasized that from an international point of view the atmosphere has changed since early 1971, almost from one of freer trade to protectionism. This may have some effects on your Company in its efforts to export knit goods. Your Company looks forward to continued co-operation from both Federal and Provincial Governments, to advance all the programmes available to us.

Your Directors wish to record appreciation of the support and co-operation of all employees.

On behalf of the Board of Directors,

Toronto, Ontario,  
March 7, 1972.

J. D. Woods,  
President.

Harvey Woods Limited  
(Incorporated under the laws of Ontario)  
and subsidiary companies

# Consolidated

DECEMBER 31, 1971 (with compa

## Assets

in thousands of dollars

	1971	1970
<i>Current</i>		
Cash	\$ 2	\$ 2
Accounts receivable	2,144	2,181
Inventories at the lower of cost and net realizable value	3,621	3,939
Prepaid expenses	<u>161</u>	<u>111</u>
Total current assets	<u>5,928</u>	<u>6,233</u>
<i>Fixed - at cost</i>		
Land	40	40
Buildings	869	863
Machinery, equipment, furniture and fixtures and cars and trucks	<u>3,028</u>	<u>3,002</u>
	3,937	3,905
Less accumulated depreciation	<u>2,804</u>	<u>2,639</u>
	1,133	1,266
Leasehold improvements at cost less accumulated amortization	<u>28</u>	<u>32</u>
Total fixed assets	<u>1,161</u>	<u>1,298</u>
<i>Total</i>	<u>\$ 7,089</u>	<u>\$ 7,531</u>

On behalf of the Board J. D. Woods, Director — N. D. Cook, Director

(see accompanying notes to the consolidated financial statements)



# Balance Sheet

(All amounts at December 31, 1970)

## Liabilities

		<i>in thousands of dollars</i>	
		1971	1970
<i>Current</i>	Due to bankers - demand loan (note 1)	\$ 2,297	\$ 2,289
	Accounts payable and accrued charges	944	1,031
	Sales and other taxes payable	182	195
	Portion of long term debt due within one year	359	310
	Total current liabilities	<u>3,782</u>	<u>3,825</u>
<i>Long Term</i>	Due to bankers - term loans (note 1)	763	900
	8½% first mortgage bonds, due July 15, 1981 (note 2)	331	
	8½% second mortgage bonds, due July 15, 1981 (note 2)	508	
	First mortgage redeemable bonds (note 2) -		
	Authorized and issued, less redeemed:		
	Series A, 3¼% sinking fund bonds due 1971		624
	Series B, 4% sinking fund bonds due 1971		244
		<u>1,602</u>	<u>1,768</u>
	Less payments due within one year included		
	with current liabilities	359	310
	Total long term liabilities	<u>1,243</u>	<u>1,458</u>
	Minority shareholders' interest	<u>19</u>	<u>11</u>
<i>Shareholders' equity</i>	Capital (note 3) -		
	Authorized:		
	500,000 Class A shares of no par value entitled		
	to a fixed cumulative preferential dividend of		
	40¢ per share per annum		
	700,000 Class B shares of no par value		
<i>Issued and fully paid</i>	329,512 Class A shares)	1,938	1,938
	700,000 Class B shares)		
	Retained earnings	<u>107</u>	<u>299</u>
		<u>2,045</u>	<u>2,237</u>
<i>Total</i>		<u>\$ 7,089</u>	<u>\$ 7,531</u>

### AUDITORS' REPORT To the Shareholders of Harvey Woods Limited

We have examined the consolidated balance sheet of Harvey Woods Limited as at December 31, 1971 and the consolidated statements of income, retained earnings and working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

London, Canada  
February 15, 1972.

CLARKSON, GORDON & CO.  
Chartered Accountants.

**CONSOLIDATED  
STATEMENT OF  
INCOME**

For the year ended December 31, 1971 (with comparative amounts for 1970)

*in thousands of dollars*

	1971	1970
Sales	\$11,349	\$ 9,702
Costs and expenses		
Cost of sales - excluding depreciation and amortization	8,734	7,822
Marketing, general administration and shipping expenses	2,466	2,163
Depreciation and amortization	208	193
Interest on long term debt	110	55
	<u>11,518</u>	<u>10,233</u>
Loss from operations	169	531
Profit on purchase of first mortgage bonds for redemption		6
Net loss before taxes on income and minority interest	169	525
Income taxes (note 4)	13	16
Net loss for the year before minority interest	182	541
Minority interest in income of subsidiary company	10	8
Net loss for the year	<u>\$ 192</u>	<u>\$ 549</u>
Loss per Class "B" shares outstanding after allocating annual cumulative dividends to Class "A" shares	<u>\$ .46</u>	<u>\$ .97</u>

**CONSOLIDATED  
STATEMENT OF  
RETAINED EARNINGS**

For the year ended December 31, 1971 (with comparative amounts for 1970)

	1971	1970
Balance, beginning of year	\$ 299	\$ 848
Net loss for the year	192	549
Balance, end of year	<u>\$ 107</u>	<u>\$ 299</u>

**NOTES TO THE  
CONSOLIDATED FINANCIAL  
STATEMENTS**

**1. Bank Indebtedness**

As security for all bank indebtedness, the company has given to its bankers a demand debenture for \$4,000,000 secured by fixed and floating charges.

The balance of term loans outstanding at December 31, 1971 amounts to \$763,000. Interest rates and principal payment requirements are as follows:

- (i) \$535,000 - interest calculated at the bank's prime rate, repayable \$231,000 in 1972 and \$304,000 in 1973.
- (ii) \$228,000 - interest calculated at 1¾% above the bank's prime rate repayable in semi-annual instalments of \$28,500 to July 1975.

The term loans, as set out above, have been insured as to repayment to the extent of 90% by the General Adjustment Assistance Board.

**2. Refinancing of First Mortgage Bonds**

The company arranged through its bankers and Ontario Development Corporation to retire the \$868,000 principal amount of its first mortgage bonds which matured on June 15, 1971. Such refinancing involved the issuance to the company's bankers of \$346,000 principal amount of bonds, to be secured by a first mortgage on the company's lands, buildings, machinery and equipment and a first floating charge on its other assets. The said bonds which are to mature on July 15, 1981 bear interest at 8½% per annum payable monthly and the loan is repayable by monthly instalments of \$2,900 which commenced August 15, 1971.

The \$522,000 balance of the said first mortgage bonds which matured on June 15, 1971 was refinanced through a loan made to the company by Ontario Development Corporation. The loan is secured by a second mortgage on the company's lands, buildings, machinery and equipment and a second floating charge on its other assets. This loan, which matures on July 15, 1981, bears interest at 8½% and is repayable by monthly blended payments of principal and interest of approximately \$6,400 which commenced August 15, 1971.



CONSOLIDATED  
STATEMENT OF  
WORKING CAPITAL

For the year ended December 31, 1971 (with comparative amounts for 1970)

		<i>in thousands of dollars</i>	
		1971	1970
<i>Source of working capital</i>	Proceeds from term loan	\$ 150	\$ 900
	Sale of fixed assets	22	17
	Increase in minority interest in subsidiary company	8	5
		<u>180</u>	<u>922</u>
<i>Application of working capital</i>	Operations —		
	Net loss for year	192	549
	Depreciation and amortization	(208)	(193)
	Profit on redemption of first mortgage bonds		6
		<u>(16)</u>	<u>362</u>
	Increase in portion of long term debt due within one year	49	233
	Purchase of fixed assets	93	384
	Payment of long term debt (net)	316	69
	Sundry		1
		<u>442</u>	<u>1,049</u>
	Decrease in working capital	262	127
	Working capital, beginning of year	<u>2,408</u>	<u>2,535</u>
	Working capital, end of year	<u>\$2,146</u>	<u>\$2,408</u>

NOTES TO THE  
CONSOLIDATED FINANCIAL  
STATEMENTS  
(cont'd)

The security for the company's demand debentures referred to in note 1 above ranks subsequent to the security given in connection with the refinancing of the company's first mortgage bonds.

3. *Dividends*

Cumulative dividends on Class A shares of \$6.60 per share (\$2,175,000 in the aggregate) are in arrears.

The charter of the company restricts the payment of dividends on Class B shares if there are arrears of dividends on the Class A shares.

4. *Income Taxes*

In 1971 income taxes are payable only in respect of the earnings of subsidiary companies.

At December 31, 1971 losses in the amount of approximately \$725,000 are available in varying amounts for carry forward purposes to reduce income taxes otherwise payable during the period 1972 to 1976. In addition, the company has available approximately \$650,000 representing depreciation written in the accounts but not claimed for tax purposes for which there is no limitation on the carry forward period.

The potential income tax recoveries, with respect to the above, amounting to approximately \$690,000 have not been reflected in the accompanying financial statements. The realization of these recoveries is dependent on the adequacy of profits within the carry forward period allowed for income tax purposes.

5. *Remuneration of Directors and Senior Officers*

Aggregate direct remuneration paid by the companies during 1971 to directors and senior officers as defined by Section 1(25) of The Business Corporations Act, 1970 amounted to \$142,000 (1970 - \$129,000).



**DIRECTORS**

G. D. Birks  
N. D. Cook  
N. H. Cruickshank  
C. M. King  
J. W. Walker Q.C.  
W. P. Wilder  
J. D. Woods  
John A. Young

**OFFICERS**

J. D. Woods  
*President*  
N. D. Cook  
*Vice-President and General Manager*  
John A. Young  
*Vice-President and Secretary-Treasurer*

**HEAD OFFICE**

18 Vansittart Avenue, Woodstock, Ontario

**EXECUTIVE OFFICE**

70 Crawford Street, Toronto 140

**TRANSFER AGENTS**

The Royal Trust Company

**AUDITORS**

Clarkson, Gordon & Co.

**BANKERS**

The Toronto-Dominion Bank

**COUNSEL**

McCarthy & McCarthy

**OPERATING  
LOCATIONS**

Toronto: *Kroy Unshrinkable Wools Limited*  
*Thomson Research Associates Limited*

Woodstock: *Hosiery Division, Underwear Division, Lingerie Division,  
and Jacket Division*

**SALES OFFICES**

Vancouver • Edmonton • Winnipeg • Toronto • Montreal • Quebec

**PRODUCTS**

Hosiery • Underwear • Lingerie • Sweaters • Jackets



HARVEY WOODS LIMITED



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**HARVEY  
WOODS  
LIMITED**

**FIRST  
HALF  
REPORT  
1971**



# HARVEY WOODS LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED INCOME STATEMENT

(Unaudited)

	FIRST HALF (In Thousands)	
	1971	1970
Sales.....	\$5,220	\$3,937
Costs and expenses:		
Cost of sales — excluding depreciation and amortization.....	4,111	3,273
Marketing, general administration and shipping expenses (note No. 1).....	1,134	886
Depreciation and amortization.....	107	91
Interest on long term debt.....	16	16
	5,368	4,266
(Loss) from operations.....	(148)	(329)
Add: Profit on purchase of first mortgage bonds for redemption.....	—	6
Net (Loss) before taxes.....	(148)	(323)
Income taxes.....	3	4
	(151)	(327)
Minority interest.....	1	3
Net (Loss) for six months.....	\$ (152)	\$ (330)

NOTE (1) A portion of marketing and administrative expenses have been treated as deferred while in 1970 they have been absorbed in the last six months of the year.

(2) Results for the six months of 1970 have been based on estimates of certain expenses based on 1969 data.

Half-yearly statements are necessarily based partly on estimates. The results for the full year are determined and audited.



## CONSOLIDATED STATEMENT OF WORKING CAPITAL

(Unaudited)

FIRST HALF  
(In Thousands)

	1971	1970
<b>Source of Working Capital</b>		
Increase in G.A.A.B. Loan.....	\$ 150	\$
Decrease in portion of long term debt due within one year.....	190	77
Sale of fixed assets.....	11	14
Increase in minority interest.....	1	3
	<u>352</u>	<u>94</u>
<b>Application of Working Capital</b>		
Operations:		
Net Loss for six months.....	152	330
Depreciation and amortization.....	(107)	(91)
Profit on redemption of first mortgage bonds.....	—	6
	<u>45</u>	<u>245</u>
•Payment of long term debt.....	258	69
Purchase of fixed assets.....	51	65
Sundry items.....	2	2
	<u>356</u>	<u>381</u>
Decrease in working capital.....	4	287
Working capital, beginning of year.....	2,408	2,535
Working capital, end of six months.....	<u>\$2,404</u>	<u>\$2,248</u>

Administration expenses incurred in 1971 (\$234,000) has been treated as accrued to be the year.

have been restated to reflect for that period revised on the actual for the year 1970.

ly on estimates and are subject to adjustment when audited.



# HARVEY WOODS LIMITED AND SUBSIDIARY COMPANIES

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## FIRST HALF REPORT 1971

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### TO THE SHAREHOLDERS:

Your Directors submit herewith the Unaudited Consolidated Statements of Income and Working Capital for the 26 weeks ended July 3, 1971.

First half sales for 1971 were 34% higher than the same period last year. This rate of increase is not expected to continue through the second half because Jockey Division products, associated in part with this increase, were introduced for sale in the latter part of 1970. The total sales increase for 1971 is estimated, however, to be in excess of 20%.

Further improvement in operating results is expected between now and year-end. Traditionally the last half of the year with higher sales and manufacturing activity is the more profitable period of the Company's operations.

A settlement has been reached between your Company and its Union for a new agreement to expire August 31, 1973.

On Behalf of the Board of Directors,

J. D. Woods,

*President.*

Toronto, Ontario,  
August 30, 1971.